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SAFETY IN QUESTION

Once again, the industry's safety record has come into question. The most recent attacks have come from two major newspapers, both charging that trucking has the worst traffic safety record of all commercial carriers, including the airlines and the barge industries. Part of that blame is being laid at the doorstep of the Bureau of Motor Carrier Safety and it now appers that major changes in the way BMCS treats motor carriers are just ahead. Details on page 16.

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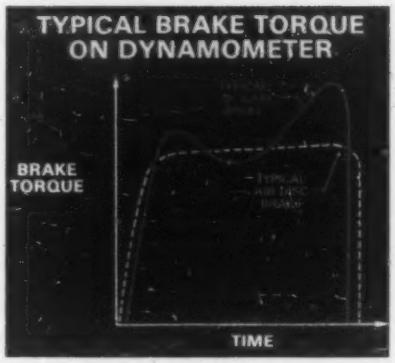

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THE FUTURE OF WASTE DRAIN OIL

The trucking industry faces new regulations regarding waste drain oil. Acting under a mandate from Congress, the EPA must decide soon on how waste oil will be classified and disposed of. Fleet operators have few options open to them. And there are differences of opinion among engine manufacturers over the effects of burning drain oil **58**

PART II THE BROKERAGE BOOM

Deregulation has spawned massive changes in trucking, not least of which is the exploding growth in freight brokers. Once considered a necessary evil, brokers have become respectable with deregulation and are now a dependable link for new traffic between for-hire carriers and shippers. Here, a veteran broker outlines the methods he uses to provide a reliable service to the industry **64**

BALL MOTOR LINES: CADILLAC OF CARRIERS

From deep in the heart of Florida, Ball Motor Lines promotes America's love affair with potted plants. A family-owned business, Ball Motor Lines has earned the reputation as the Cadillac of the Foliage Carriers, a reputation it has worked hard to earn, but works harder still to rhaintain **68**

THE FUTURE OF AIR BRAKES

Yesterday's brakes will not be good enough for tomorrow's trucks. Here is what the experts say about the brake systems of the future ... **72**

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FREIGHT BROKERAGE: PART II

HEALTHY INDEPENDENT BROKERAGES THRIVE

To compete with a carrier's traffic department, a brokerage should be perceived in the shipper's eyes as being able to "outperform a carrier in every way."

By **PARRY DESMOND**, *Feature Editor*

The no-frills office of William Tucker, president of Tucker Company, is only about 20 miles east of the headquarters of RBS, the brokerage division of Rollings Leasing Corp., based in Wilmington, Del., which was profiled in the first part of this two-part series on transportation brokering. But Tucker's modestly housed, independent brokerage in Westville, N.J., one of the largest in the nation, is sometimes miles apart from RBS when the two are compared. While RBS is the new kid on the block, Tucker is a 24-year-old, second generation operation. Tucker's current president left the computer industry and took over the brokerage after his father, founder of the company, died in 1971.

Many trucking people, Tucker noted in a recent interview, think freight brokering was created with the 1935 Motor Carrier Act. "Not so," he said. Brokering was a "natural business phenomena"—like real estate and investment brokering—that thrived before trucking became regulated 50

years ago. The some 60 existent brokers in 1935 were "grandfathered" licenses as a result of federal regulation, and entry to the business was essentially shut off for 45 years—except for those who catered to haulers and shippers of exempt freight. In fact, the senior Tucker had to pay $1800 in 1961 to buy out an oldtimer to acquire a broker's license.

Initially, Tucker's father became a shipping agent. "But he couldn't build a sound business because an agent couldn't represent carriers with competing authority. In that environment, back-soliciting [when a carrier or shipper, that heretofore used a broker to seek loads or equipment, tries to deal directly with contacts established by the broker to avoid paying a brokerage commission] was inevitable," recalled the 46-year-old son. Historically, "back solicitations have been initiated by both shippers and carriers, but things are changing," commented Tucker.

Recalling a presentation by Jack Schang, president of Ryder/PIE Nationwide, at the Transportation

Continued

TOTAL REVENUE LEVELS FOR MOTOR FREIGHT BROKERS IN 1983:

- 42%—LESS THAN $500,000
- 16%—$500,000-$1 MILLION
- 31%—$1 MILLION-$5 MILLION
- 6%—$5 MILLION-$10 MILLION
- 5%—MORE THAN $10 MILLION

TBCA Helps Brokers Clean Up Their Act

The freight brokerage industry started to clean up its act in 1978 when 15 brokers decided to counter the tarnished image their shady brethern—mostly brokers of exempt freight who gouged owner operators—had generated, by forming the Transportation Brokers Conference of America (TBCA). About 800 brokers have joined the conference, and membership is increasing at the rate of 25 per month, according to TBCA officials.

TBCA leaders recognize that the brokerage industry's unbridled growth—the number of brokers increased from about 60 to more than 4500 since the late '70s—can attract unsophisticated players. To enhance members' knowledge of brokering, as well as offering them opportunities to expand, TBCA has established several programs.

One of the things TBCA has done to improve the freight broker's reputation and establish professional competency standards is to organize and fund the Transportation Brokers' Institute, Inc., which offers a Certified Transportation Broker (CTB) program. The program is administered by William Haugh, dean of the College of Transportation and Distribution in Westchester, Ill, which offers resident and home study courses and related materials to about 100 colleges and study groups in the U.S. CTB certification applicants—who must be licensed brokers or employees of a brokerage but not members of TBCA—pay a $20 registration fee, plus $50 each for four examinations, which can be taken over two-day periods before TBCA's semi-annual educational seminars and conventions. The series of exams were slated to be given for the first time in April, prior to the conference's seminar and convention in Chicago. The written exams, which must be successfully completed over a five-year period, cover: legal aspects of brokerage; brokerage and non-brokerage services; and general business principles.

TBCA also established a shippers association, which enables brokers to solicit container freight from shippers, pool the containers and negotiate in strength for lower rates from steamship lines. Heretofore, discounts have been limited to corporate giants. The association gives brokers an opportunity to arrange shipments to foreign ports.

The shippers association also plans to expand the volume discount operation beyond the realm of international ocean carrier movements by applying the same strategy to domestic railroads.

The association, which has a $1500 membership fee, has an office in New York City. Prior to passage of the 1984 Shipping Act, shipper associations were illegal.

A less successful program is TBCA NET, a computer network which went on-line in April 1984. Although the network once attracted 80 subscribers, only about 40 of TBCA's 800 members now use the service.

TBCA also offers members cargo liability and health/life insurance coverage, free legal consultation on brokering matters, an ethics committee that attempts to settle disputes between members, and an educational manual on brokering.

Several members noted that their colleagues are unusually willing to share their knowledge at TBCA sessions.

To learn more about TBCA, contact: Chuck Naylor, Transportation Brokers Conference of America, Inc., PO Box 209, Oak Forest, Ill. 60452. 312-687-0222.

This is a response to one of the questions in the recent survey of members of the Transportation Brokers Conference of America, conducted by Dr. Michael R. Crum, a professor at Iowa State University.

William Tucker has been president of Tucker Company, Westville, N.J., since 1971. The 24-year-old, second generation freight brokerage handle loads for more than 400 shippers and contracts with about 110 carriers.

Brokers Conference of America (TBCA) convention last year, Tucker noted that Schang said the Interstate Commerce Commission used to be the trucking industry's marketing department—fixing prices, service levels and operating territories. Many big carriers once viewed brokers as expensive and redundant, duplicating services already available from their sales and traffic departments. Despite deregulation, those attitudes prevail among some for-hire carriers, said Schang, preventing them from taking advantage of the numerous options made available over the past five years.

But many fleetmen now have a positive point of view about freight brokering, and Tucker has capitalized on that change in attitude. His firm handles loads for more than 400 shippers and has contracts with about 110 carriers—50 common carriers, 30 heavy haulers, 15 private fleets with contract or common carriage authority—and with 15 Canadian fleets. The 48-state operation predominantly handles dry, truckload freight. Tucker also specializes in oversize loads and service to and from Canada.

While a new brokerage—even one with tremendous leverage like RBS, a division of Rollins Leasing—has to bust its buns to become established, Tucker's firm is on a roll. He estimated his annual total commissions have grown more than 1000% since he took over the operation 14 years ago, and more than 300% since 1979. Comparing 1984 to this year, Tucker expected commissions to increase about 27%. Last year, Tucker and his employees brokered 6000 loads. In 1985, they're shooting for 10,000 shipments.

The 19-person staff includes: four full-time sales people—another is soon to be hired—plus 12 co-brokers with whom Tucker splits commissions; five dispatch/customer service personnel; six full-time and three part-time clerk/analysts.

Although his firm has taken advantage of the brokerage boom, growth has been controlled, he explained. Since a broker is only as good as his reputation, Tucker said he can't climb in bed with every attractive carrier and shipper without "diluting his potential" to serve those groups. Instead, the firm's primary goal is to first "service the daylights out of" their current customers. "News of one 'dirty' deal could close hundreds of shippers' doors to you permanently," said Tucker.

Tucker's growth strategy is to develop "a permanent, consultative" relationship with shippers and build the business by "getting a larger share of a shipper's traffic as you help him grow." With carriers, Tucker wants to be "a member of their team," continually proving his firm's value by offering good freight and increasing volume. The broker's staff is expected to develop relationships with many of the carrier's people: accounting, marketing, etc., as well as those in the dispatch office.

While Tucker has enjoyed increased revenue through internal efforts, some of his large competitors have also grown through acquisitions. Last year, Ryder System's American Traffic brokerage subsidiary bought out National Carriers Service, of Anaheim,

Calif., where Ryder's brokerage is now based. Some TBCA leaders claim the brokerage industry eventually will be controlled by only six or eight brokers. Tucker vigorously disagrees with that scenario, claiming: "That's impossible. There will always be hundreds of healthy, viable brokerages out there."

Many brokers have also boosted revenues by offering extensive non-brokerage services such as waybill auditing, freight consolidation and warehousing. Tucker is reluctant to go that route because the peripheral services can distract the flourishing brokerage operation, and they may create potential conflicts of interest. "Our strong point with carriers and shippers is that we have no other interests but to serve them as a broker. I harp on the philosophy of independent brokerages," concluded Tucker.

Another problem Tucker envisioned is the lessor-owned brokerage subsidiary, like Rollins or Ryder, initially perceived by common carrier-clients as a helpful, disinterested, non-transporting entity. It is possible, continued Tucker, that carriers will eventually see the broker-lessor as a potential threat, giving loads to that carrier-client's competition.

Tucker acknowledged that major lessors have tremendous potential as brokers. But "until they become a good broker, successfully serving two masters at the same time," their corporate size is of little consequence.

In order to compete with a carrier's traffic department, a brokerage should be perceived, in the shipper's eyes, as being able to "out-perform a carrier in every way," said Tucker. And with the brokerage business growing more competitive, fleet-lessees are not "locked into" the lessor's brokerage, he observed. The same goes for the tons of traffic tendered to brokers by major shippers. If they don't offer "good, well-priced, timely freight in the right lanes," they're no bonanza for a broker.

Typically, according to Tucker, 60% of the dry freight the firm brokers is offered by shippers in the morning for pickup that afternoon and delivery the following morning. When the brokerage is offered freight, Tucker's operations crew—which is also responsible for carrier research, evaluation and recruitment, as well as relations—immediately gets on the phone, making contact with reputable carriers they know can handle traffic in the requested lanes. Once information such as rates, timing, size and type of load, people to contact at the consignor's and consignee's sites, shipping document numbers, plus inevitable special details, is relayed to the shipper and receiver by Tucker personnel, the movement is accomplished, and the appropriate data is entered into the brokerage's computer system, which generates a myriad of reports.

Like most brokerages, Tucker works with co-brokers when his carriers don't have needed equipment. When a co-broker bails out Tucker, he is given that traffic on a continuing basis, even if Tucker has units available. And when a co-broker has introduced a carrier to Tucker, that carrier is always dealt with through the co-broker. If a co-broker tries to cover a load with a carrier already under contract to Tucker, he advises the co-broker of the existent relationship. But he continues to use the co-broker on the particular movement to reinforce the economics and trust between the two brokerages. However, that carrier is told he's not to establish a "direct" relationship with the co-broker's shipper. Likewise, Tucker's shipper is advised that he's not to directly deal with the co-broker's carrier. In most co-brokerage deals, the broker who makes the arrangements with the carrier to handle the load, collects the fee and pays an agreed-upon percentage of his commission to the broker with the shipper-connection.

There's another important element in the equation that establishes and sustains a broker's credibility—paying the participants in brokered freight movements—the basis for exempt brokers' disreputable image.

Tucker's people initiate the computerized process a day or two following the consummated movement, when the carrier can provide the PRO number, and an invoice is usually sent to the shipper. As soon as the shipper's check arrives, the carrier is paid. "Playing with freight bill receipts is a loser's game," said Tucker. If the broker paid the carrier before he received his money from the shipper, it "would screw up the carrier's accounting system." To make sure his system isn't botched up, Tucker has a part-time employee who handles credit, collections, payables and cash flow.

Citing the high caliber of shippers he deals with, Tucker estimated that only three weeks pass from the time a load is picked up, until the shipper's check is received in the broker's office and Tucker's check to the carrier is in the mail. Although Tucker has no contractual obligation to pay the carrier if the shipper goes bankrupt, he makes sure the carrier is paid—once again, Tucker cites "a broker's primary asset, his reputation."

Since brokering is a service, people-intensive business, Tucker believes he must hire and keep quality personnel. He does this by offering a superior benefit package and pays bonuses rather than commissions, which, he claimed, are confusing and counter-motivational to most employees. His recruiting philosophy is: don't wait until you can "afford" a new employee; if you need him and he's good, or if he's available and the timing is right, hire him. "Your new hires are investments. Do it."

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